

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 18742 01 OF 02 020856Z

11

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 NEA-10 IO-13 CEA-01 STR-04 /109 W

----- 079105

P 020730Z DEC 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3463

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 18742

USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 12/2/77

TAGS: EAID, EFIN

SUBJECT: ASIAN DEVELOPMENT FUND: PROCUREMENT AND DRAWDOWN
ARRANGEMENTS

REF: TRSY 76-86

SUMMARY: ADB MANAGEMENT HAS PROPOSED POLICY FOR BANK TO
FOLLOW REGARDING PROCUREMENT AND RESOURCE DRAWDOWN ARRANGEMENTS
UNDER ASIAN DEVELOPMENT FUND (ADF) LOANS. NAC GUIDANCE
IS REQUESTED. END SUMMARY.

1. ADB DOC R122-76 DATED NOVEMBER 26 ON ABOVE SUBJECT
WAS POUCHED NOVEMBER 29 ANFIWILL BE CONSIDERED BY BOARD OF
DIRECTORS ON DECEMBER 16.

2. DOCUMENT REVIEWS HISTORY OF AMOBILIZATION OF SPECIAL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 18742 01 OF 02 020856Z

FUNDS (SF) AND HOW PROCUREMENT RULES UNDER EARLY CONCES-

SIONAL LOANS DEVELOPED. WITH RECENT U.S. UNITED \$25 MILLION CONTRIBUTION TO SECOND STAGE OF INITIAL ADF MOBILIZATION, BANK HAS FOR FIRST TIME REKHED POINT WHERE ALL CONTRIBUTORS HAVE MADE RESOURCES AVAILABLE TO ADF ON RECIPROCALLY-UNITED BASIS, AND ALL SUCH RESOURCES ARE EQUALLY AVAILABLE FOR DRAWDOWN, ON PRO RATA BASIS, TO FINANCE PROCUREMENT IN ALL DEVELOPING MEMBER COUNTRIES OF BANK, AND IN ALL CONTRIBUTOR COUNTRIES. ALSO, BANK RECENTLY BEGAN TO DRAW UPON ADF-CONTRIBUTED RESOURCES TO FINANCE PROCUREMENT UNDER CONCES-SIONAL LOANS. BANK MANAGEMENT CONSIDER THAT TIMING IS NOW NECESSARY AND APPROPRIATE TO REVIEW PAST PROCUREMENT AND DRAWDOWN ARRANGEMENTS UNDER SPECIAL OPERATIONS AND (A) DETERMINE POLICY TO FOLLOW REGARDING ACCESS TO PROCUREMENT UNDER ADF LOANS; (B) PRECISE MANNER DN IMPLEMENTING GENERAL PRINCIPLE OF UNIFORM DRAWDOWN UNDER SECTION 4.04 OF ADF REGULATIONS; AND (C) MANNER IN WHICH ADF RESOURCES OTHER THAN CONTRIBUTIONS (I.E., SET-ASIDE RESOURCES, INCOME AND REPAYMENTS) SHOULD BE UTILIZED.

3. WHILE BANK HAS OPERATED UNDER PRINCIPLE THAT PROCURE-MENT UNDER SF LOAMH IS ONLY OPEN TO SUPPLIERS FROM DMCS AND FROM CONTRIBUTOR-DEVELOPED COUNTRIES, BANK PROPOSES THAT, ACTING PURSUANT TO SECTION 3.06 OF ADF REGULATIONS, BOARD ADOPT IT AS GENERAL POLICY APPLICABLE TO ALL ADF LOANS. BEGIN FYI: BANK ALSO APPARENTLY WANTS TO AVOID ANOTHER SITUATION (AS IN PREVIOUS ITALIAN CASE) WHERE MEMBER WHICH HAS CONTRIBUTED TO ONE PHASE OF SF RESOURCES IS SUSPENDED BY SPECIFIC BOARD ACTION FROM FURTHER SF PROCUREMENT BECAUSE AMOUNT OF ITS CONTRIBUTION HAS BEEN FULLY EXPENDED IN FINANCING CONTRACTS AWARDED TO ITS NATIONALS. END FYI. IT, THEREFORE, PROPOSES ESTABLISH-MENT OF PROCEDURE WHEREBY PROCUREMENT ELIGIBILITY OF A DEVELOPED MEMBER WILL BE SUSPENDED AUTOMATICALLY AS SOON AS RESOURCES SUCH MEMBER HAS CONTRIBUTED TO ADF HAVE BEEN FULLY COMMITTED AGAINST CONTRACTS, UNLESS AND UNTIL MEMBER MAKES FURTHER RESOURCES AVAILABLE TO ADF. PROPOSED PRO-CEDURE (PARA. 4 BELOW) WOULD ALSO PREVENT DEVELOPED MEMBER FROM GAINING ACCESS TO PROCUREMENT OPPORTUNITIES BY VIRTUE OF A SINGLE AND PERHAPS RELATIVELY SMALL ADF CONTRIBUTION, AND THEN CONTINUEHVO ENJOY THAT ACCESS INDEFINITELY, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 18742 01 OF 02 020856Z

DESPITE FACT ITS CONTRIBUTION HAS BECOME COMPLETELY EXHAUSTED.

4. TO ACCOMPLISH ABOVE, BANK PROPOSES THAT, COMMENCING FROM JANUARY 1, 1977 AND AT SIX-MONTHLY INTER-VALS, IT WOULD DRAW UPON ALL CONTRIBUTIONS IN ADF POOL IN SIMPLE PRO RATA BASIS. IT FURTHER PROPOSES TO DISTINGUISH EACH PERIODIC FUND-RAISING EXERCISE AND TO TREAT

RECIPROCALLY-UNITED CONTRIBUTIONS THEREUNDER AS A SEPARATE POOL OF FUNDS FOR ACCOUNTING AND DRAWDOWN PURPOSES. BANK WOULD THEN DRAW UPON RESOURCES OF EACH SUCCESSIVE POOL (COMMENCING WITH RECIPROCALLY-UNITED RESOURCES CONTRIBUTED UNDER ADF I) UNTIL EACH SUCH POOL IS EXHAUSTED. ONCE AMOUNT OF SUCH RESOURCES OF ADF I POOL HAS BEEN FULLY COMMITTED, BANK WILL REVIEW ITS LIST OF ELIGIBLE SOURCE COUNTRIES, THEN REVISE AS NECESSARY TO INCLUDE ONLY THOSE DEVELOPED MEMBER COUNTRIES WHICH HAVE CONTRIBUTED TO ADF II POOL, AND NOTIFY BORROWERS ACCORDINGLY. HOWEVER, IN CASE DONOR HAS MADE ONLY PARTIAL CONTRIBUTION, ITS PROCUREMENT ELIGIBILITY WOULD CONTINUE ONLY TO EXTENT ITS CONTRIBUTION CORRESPONDS TO AMOUNT OF ITS SHARE. (THUS, IF DONOR HAS CONTRIBUTED HALF ITS SHARE, THEN PROCUREMENT ELIGIBILITY WOULD CONTINUE UNTIL HALF OF POOL HAS BEEN COMMITTED AGAINST CONTRACTS.) SPECIAL ADJUSTMENTS OF SYSTEM ARE ALSO PROPOSED FOR TREATMENT OF NEWCOMERS LIKE AUSTRIA WHOSE INITIAL CONTRIBUTION IS TO ADF II, AND FOR LATECOMERS, E.G., ITALY WHICH HAS YET TO MAKE ITS PROPOSED ADF I CONTRIBUTION, WHO MAY CONTRIBUTE TO POOL AFTER SUBSTANTIAL AMOUNT OF SUCH POOL HAS ALREADY BEEN COMMITTED AGAINST PROCUREMENT CONTRACTS. (SEE PARAS. 38-29 OF DOCUMENT.)

5. AS REGARDS PREVIOUSLY ACCEPTED ADF TIED CONTRIBUTIONS, BANK PROPOSES TO ALLOCATE TO SUCH RESOURCES ALL EXPENDITURES WHICH CAN BE FINANCED WITHIN APPLICABLE PROCUREMENT RESTRICTIONS. ONLY REMAINING DISBURSEMENTS WILL BE CHARGED TO UNTIED POOL. PROCESS WOULD CONTINUE UNTIL ALL TIED FUNDS ARE FULLY COMMITTED AND DISBURSED.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MANILA 18742 02 OF 02 020900Z

12

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 CEA-01 STR-04 NEA-10 IO-13 /109 W

----- 079247

P 020730Z DEC 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 3464

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 18742

USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

6. BANK PROPOSES TO CONTINUE PRESENT PRACTICE ON UTILIZATION OF SET-ASIDE RESOURCES. FYI: THIS WOULD, OF COURSE, PERMIT LIMITED USE OF SUCH FUNDS FOR PROCUREMENT UNDER A CONTRACT AWARDED TO SUPPLIER FROM NON-CONTRIBUTOR COUNTRY, I.E., FRANCE, ITALY AND SWEDEN. USADB BELIEVES IT WOULD BE DIFFICULT FOR BANK TO AGREE TO DIFFERENTIATE BETWEEN ITALY, A COUNTRY WHICH HAS INDICATED INTENTION TO PARTICIPATE IN ADF I BUT HAS TO DATE BEEN UNABLE TO OBTAIN FUNDS FROM GOVERNMENT, AND FRANCE AND SWEDEN, WHICH HAVE NOT DONE SO. END FYI. TO HELP RESTORE SET-ASIDES TO WITH RESPECT TO THOSE EXPENDITURES, INITIALLY FINANCED FROM SUCH RESOURCES, WHICH MEET ELIGIBILITY CRITERIA APPLICABLE TO POOL AS WHOLE. A SIMILAR REIMBURSEMENT PROCEDURE WILL BE FOLLOWED, AS NECESSARY, IN DRAWDOWN NEXT FOLLOWING DATE A NEW CONTRIBUTOR PARTICIPATES IN A CURRENT POOL.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 18742 02 OF 02 020900Z

7. BANK FURTHER PROPOSES THAT INCOME AND REPAYMENTS (AT LEAST UNTIL SUCH TIME AS TOTAL AMOUNT OF RESOURCES DERIVED FROM REPAYMENTS BECOMES SIGNIFICANT) BE UTILIZED IN ESSENTIALLY SAME MANNER AS SET-ASIDE RESOURCES. HOWEVER, INCOME SHOULD BE USED IN PRIORITY TO SET-ASIDE RESOURCES TO EXTENT NECESSARY TO FINANCE EXPENDITURES UNDER CONCESSIONAL LOANS WHICH ARE NOT ELIGIBLE FOR FINANCING FROM ANY OTHER RESOURCES OF ADF AS DISCUSSED IN PARA. 6. ABOVE.

8. NAC GUIDANCE IS REQUESTED.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PROCUREMENT, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA18742
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760446-0097
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761279/aaaacqkx.tel
Line Count: 216
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUN 2004 by buchant0>; APPROVED <30 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ASIAN DEVELOPMENT FUND: PROCUREMENT AND DRAWDOWN ARRANGEMENTS
TAGS: EAID, EFIN, RP, ADB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006